

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. 2020-_____

In re: Application of Chem-Nuclear Systems,)	
LLC, an EnergySolutions company, for)	
Adjustment in the Levels of Allowable)	
Costs and for Identification of Allowable)	APPLICATION
Costs)	(for Fiscal Year 2020-2021)
_____)	

Pursuant to the provisions of S.C. Code Ann. § 48-46-40(B)(4), *et. seq.* (2008 & Supp. 2018), Chem-Nuclear Systems, LLC, an EnergySolutions company, (“Chem-Nuclear” or the “Company”) submits this Application for adjustment in the levels of certain “allowable costs” and for the identification of certain “allowable costs” for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. In support of the relief which it requests in this Application, Chem-Nuclear would respectfully show unto this honorable Commission:

1. On June 6, 2000, the Governor of the State of South Carolina signed the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act (the “Act”). The Act is codified as S.C. Code Ann. §§ 48-46-10, *et seq.* (2008 & Supp. 2018), as amended.

2. Section 48-46-40(B)(1)(Supp. 2018) of the Act authorizes and directs the Commission “to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina.” Section 48-46-30(1) (Supp. 2018) defines “allowable costs” as “costs to a disposal site operator of operating a regional disposal facility.” Under that definition, such costs “are limited to costs determined by standard accounting practices and regulatory findings to be associated with facility operations.”

3. Section 48-46-40(B)(3)(Supp. 2018) of the Act provides that “allowable costs” expressly include the costs of certain specifically identified activities necessary in the operation of a low-level radioactive waste disposal facility. That Section also provides that “allowable costs” include “any other costs directly associated with disposal operations determined by [the Commission] to be allowable.”

4. Chem-Nuclear operates a regional low-level radioactive waste disposal facility in Barnwell County, South Carolina (the “Facility”). Consequently, the Commission has the authority to identify the “allowable costs” for the Company’s operation of the Facility.

5. The Facility is located on a tract of land consisting of approximately 235 acres which the State of South Carolina owns and which the Company leases from the South Carolina Department of Administration. The 235-acre site includes areas for various operations, including completed disposal trenches, potential trench areas, ancillary facilities, water management areas and buffer zone areas.

6. The Company conducts its operations at the Facility under South Carolina Radioactive Material License 097 (“License 097”) by which the South Carolina Department of Health and Environmental Control (“DHEC”) has authorized receipt, storage and disposal of low-level radioactive waste at the Facility. License 097 contains numerous technical conditions and specifications for management of waste at the Facility. In addition to the requirements of License 097, the Facility is subject to DHEC’s regulations in 24A S.C. Code Reg. 61-63 (Rev. 2008). DHEC’s regulations are compatible with the provisions of “Licensing Requirements for Land Disposal of Radioactive Wastes,” which the United States Nuclear Regulatory Commission (“NRC”) originally promulgated in 10 C.F.R. Part 61, and DHEC has adopted most of those provisions and enforces them through its own regulations under an agreement with the NRC.

7. On June 30, 2020, the Commission issued its Order No. 2020-441 in Docket No. 2019-13-A. In that Order, the Commission identified certain categories of “allowable costs” and identified levels of “allowable costs” within those categories. Order No. 2020-441 approved certain rates for variable allowable costs and identified the sum of \$3,145,096 for total fixed allowable costs for the 12 months ending June 30, 2020. The Order also approved irregular costs of \$1,256,031 as allowable costs.

8. S.C. Code Ann. § 48-46-40(B)(4)(Supp. 2018) provides that an operator of a low-level radioactive waste disposal site may apply for adjustments in the levels of “allowable costs” that the Commission has identified for the previous fiscal year and for identification of costs that the Commission has not previously identified as “allowable costs.” Upon approval of such application, Section 48-46-40(B)(4) requires the Commission to authorize the site operator to adjust its “allowable costs” for the current fiscal year to compensate the site operator for revenues lost during the previous fiscal year.

9. For the purposes of this Application and its Exhibits, the Company has used the cost categories that the Commission approved in Order No. 2004-349 in Docket No. 2000-366-A, which were based on the recommendations of the parties to the Collaborative Review of the Company’s Operations and Efficiency Plan (“OEP”).

10. During the Company’s recently concluded Fiscal Year 2019-2020 (*i.e.*, the twelve months ending June 30, 2020), the Company’s actual “allowable costs” in those categories that the Commission identified in Order No. 2020-441 for fixed costs were \$3,137,525, which were \$7,571 less than the amount of \$3,145,096 identified in Commission Order No. 2020-441. Therefore, the Company proposes no adjustment for allowable fixed costs in this Application.

11. With respect to the allowable costs that Order No. 2020-441 characterized as variable labor and non-labor costs, which are dependent upon volumes of waste buried, the Company incurred actual costs in the category of variable labor and non-labor costs in Fiscal

Year 2019-2020 of \$146,406.40, which is \$53.02 more than the total calculated costs of \$146,353.38 identified in Order No. 2020-441. The calculated costs are derived by multiplying the variable cost rates identified by the Commission in that Order for categories of waste by the number of units in each category. The Company proposes an adjustment of \$53.02 for variable labor and non-labor costs in this Application.

12. With respect to vault costs, Order No. 2020-441 established certain variable cost rates for each type of waste disposed at the Facility. By applying those rates to the volumes of each type of waste received in Fiscal Year 2019-2020, the Company calculated a total cost for routine disposal vaults of \$444,994.69. The actual incurred total cost for routine disposal vaults was \$478,625.12, which is \$33,630.43 more than the calculated costs. Therefore, the Company proposes an adjustment of \$33,630.43 in this category of costs.

13. With respect to those allowable costs which Order No. 2020-441 characterized as irregular costs, the Company incurred total irregular costs for Fiscal Year 2019-2020 of \$1,016,237.49. Total irregular costs incurred in Fiscal Year 2019-2020 are \$239,794 less than the costs identified in Order No. 2019-422 of \$1,256,031. Therefore, the Company requests no adjustment for irregular costs in this Application.

14. The Company has attached to this Application three (3) exhibits pertaining to the adjustments and identification of the categories of “allowable costs” for its disposal operations.

15. **Exhibit A** to this Application describes in detail the Company’s proposed adjustments for the recovery of its actually incurred costs for fixed, variable and irregular costs to reflect the differences between the level of “allowable costs” identified in Order No. 2020-441 and the level of the Company’s actually incurred costs in Fiscal Year 2019-2020. Exhibit A also provides the rates for variable costs which were contained in Order No. 2020-441.

16. **Exhibit B** describes the actual irregular costs, which the Company incurred in Fiscal Year 2019-2020, organized by project number.

17. **Exhibit C** depicts the total fixed costs, irregular costs and variable cost rates that the Company proposes for identification and approval for Fiscal Year 2020-2021.

18. For Fiscal Year 2020-2021, the Company requests identification as “allowable costs” a total of \$3,215,963 as allowable fixed costs, as depicted in Exhibit C. Exhibit C also identifies variable material cost rates and variable waste dependent labor and non-labor rates for Fiscal Year 2020-2021. Irregular costs for Fiscal Year 2020-2021 anticipated at the time of this Application are \$508,368 as specified in Exhibit C. The irregular costs will be discussed in detail in pre-filed testimony. The costs and amounts in Exhibits A and C are consistent with the description of “allowable costs” in Section 48-46-40(B)(3)(Supp. 2018), and they have been determined by standard accounting practices and are consistent with the recommendations of the Collaborative Review of the OEP as the Commission approved in Order No. 2004-349 in Docket No. 2000-366-A.

WHEREFORE, Chem-Nuclear Systems, LLC, an *EnergySolutions* company, respectfully prays unto this honorable Commission:

1. To review the Company’s Application and issue its Order, under S.C. Code Ann. § 48-46-40(B)(4)(Supp. 2008), recognizing the levels of “allowable costs” as depicted in Exhibit A for Fiscal Year 2019-2020, and identifying the levels of irregular costs in Exhibit B for Fiscal Year 2019-2020, and identifying as “allowable costs” those costs depicted in Exhibit C for Fiscal Year 2020-2021.

2. For such other and further relief as is just and proper.

Respectfully submitted,

s/ J. David Black

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September 25, 2020

Columbia, South Carolina

EXHIBIT A:
FISCAL YEAR 2019-2020
FIXED COSTS
NO ADJUSTMENT PROPOSED

Fixed costs, subject to a 29% operating margin, were incurred in fiscal year 2019-2020 in the general categories of labor-related costs, non-labor costs, costs allocated from corporate functions, equipment leases and support, depreciation and insurance. The following table compares the actual costs incurred to the costs identified as allowable in Commission Order No. 2020-441:

	Commission Order No. 2020- 441	Actual Costs Incurred in FY 2019-20	Adjustment Proposed
Labor, Fringe and Non-labor	\$1,975,000	\$2,006,393	
Depreciation	\$136,000	\$114,797	
Insurance	\$319,853	\$282,662	
Equipment leases and support	\$83,228	\$89,664	
Corporate Allocation (G&A)	\$631,015	\$644,009	
Subtotal (Fixed Cost subject to 29% margin)	\$3,145,096	\$3,137,525	
Legal Support	\$0	\$0	
Subtotal (Fixed Cost not subject to 29% margin)	\$0	\$0	
Total Fixed Costs	\$3,145,096	\$3,137,525	(\$7,571)

The actual Fixed Costs incurred during fiscal year 2019-2020 were \$3,137,525. This amount is \$7,571 less than the amount identified in Commission Order Number 2020-441; therefore, no adjustment is proposed in this category of costs.

FISCAL YEAR 2019-2020**VARIABLE COSTS****Variable Labor and Non-Labor Costs****ADJUSTMENT PROPOSED**

Commission Order No. 2020-441 identified the following categories of rates for projecting Variable Labor and Non-Labor costs: vault purchase and inspection (per vault), ABC waste disposal (per shipment), slit trench operations (per slit trench offload), customer assistance (per shipment), and trench records (per container).

The following table illustrates the Variable Labor and Non-Labor costs that would be calculated using the Variable Labor and Non-Labor rates identified in Commission Order No. 2020-441 and the FY 2019-2020 number of units in each category.

	Units	Variable Cost Rate in Commission Order No. 2020-441	Calculated Cost
Vault Purchase & Inspection (per vault)	73	\$187.07	\$13,656.11
ABC Waste Disposal (per shipment) *total shipments, less slit trench shipments, less irregular project shipments	65	\$1,589.54	\$103,320.10
Slit Trench Operations (per slit trench offload)	0	\$44,844.35	\$0.00
Customer Assistance (per shipment)	65	\$131.43	\$8,542.95
Trench records (per container)	66	\$315.67	\$20,834.22
Total Calculated Variable Labor and Non-labor Cost			\$146,353.38

The actual Variable Labor and Non-Labor costs incurred in fiscal year 2019-2020 were **\$146,406.40**. This amount is **\$53.02** more than the amount that would have been anticipated based on rates provided in Commission Order 2020-441; therefore, **an adjustment of \$53.02 is proposed** in this category of costs.

FISCAL YEAR 2019-2020**VARIABLE COSTS****Vault Costs****ADJUSTMENT PROPOSED**

The following table illustrates the Vault Costs that would be calculated using the Variable Cost rates identified in Commission Order No. 2020-441 and the actual FY 2019-2020 volumes of waste received in each respective category.

	Volume Received ft³	Variable Cost Rate in Order No. 2020-441	Calculated Cost
Class A waste	8,736.80	\$38.28	\$334,444.70
Class B waste	1,589.40	\$57.52	\$91,422.29
Class C waste	360.90	\$53.00	\$19,127.70
Slit Trench waste	0.00	\$188.57	\$0.00
Irregular Components (in vaults as an irregular cost)	0.00	N/A	N/A
Irregular Components (not in vaults)	13,607.90	N/A	N/A
Total Calculated Vault Cost			\$444,994.69
Total Volume (cubic feet)	24,295.00		

The actual Vault cost incurred during fiscal year 2019-2020 was \$478,625.12. This amount is \$33,630.43 more than the amount that would have been anticipated based on rates provided in Commission Order 2020-441. therefore, an **adjustment of \$33,630.43 is proposed** in this category of costs.

FISCAL YEAR 2019-2020**IRREGULAR COSTS****NO ADJUSTMENT PROPOSED**

The following table summarizes the Irregular Costs incurred in fiscal year 2019-2020 organized by projects. Exhibit B provides additional descriptions of each of these irregular projects.

Irregular Cost Item	Order No. 2020-441	Actual FY '19-20 Labor	Actual FY '19-20 Non-Labor	Total Cost FY '19-20
Trench Characterization & Construction	\$600,000	\$20,399	\$270,620	\$291,019
Large Component Disposal	\$656,798	\$80,158	\$640,117	\$720,275
Site Maintenance	\$0	\$99	\$0	\$99
Trench Records Software	\$444	\$752	\$0	\$752
Storm Damage Repairs & Cleanup	(\$1,232)	\$177	\$0	\$177
License Renewal & Appeal Costs	\$21	\$21	\$0	\$21
Site Eng & Drawing Updates	\$0	3,894	\$0	\$3,894
Total Irregular Costs	\$1,256,031	\$105,501	\$910,737	\$1,016,237.49

The actual Irregular Costs incurred in fiscal year 2019-2020 was **\$1,016,237.49**. This amount is **\$239,794** less than the amount identified in Commission Order No. 2020-441; therefore, **no adjustment is proposed** in this category of costs.

EXHIBIT B:
FISCAL YEAR 2019-2020
IRREGULAR COSTS
ORGANIZED BY PROJECT

PROJECT NUMBERS	PROJECT NAME AND EXPLANATIONS
188701.8029 188701.8031 188701.8032	Trench Characterization & Construction (Labor \$20,399 and Non-Labor \$270,620) Trench construction activities in FY 2019-2020 including design, construction and backfill in Trenches 99, 100 and Slit Trench 38.
188007.8001 188701.8033	Large Component Disposal (Labor \$80,158 and \$640,117) Cost related to disposal of large component including design and construction of Trench 101 for large component disposal.
188004.8002	Site Maintenance (Labor \$99) Site maintenance costs.
188000.8013	Trench Records Software (Labor \$752) Cost to provide the maintenance and support for the trench records database and reporting software.
188004.8003	Storm Damage Repairs & Cleanup (Labor \$177) Labor charged to this project in error. The expenses will be reclassified to the correct project in FY 2020-2021
952188.8002	License Renewal and Appeal Costs (Labor \$21.00) Costs related to license appeal.
188004.8001	Site Eng & Drawing Updates (Labor \$3,894) Labor charged to this project in error. The expenses will be reclassified to the correct project in FY 2020-2021.

EXHIBIT C:**PROPOSED FISCAL YEAR 2020-2021 COSTS**

We propose the following amounts be identified as allowable costs for fiscal year 2020-2021:

FIXED COSTS	
Fixed Costs to which 29% operating margin is added	
Labor, Fringe and Non-Labor	\$2,056,553
Depreciation	\$117,667
Insurance	\$289,729
Equipment Leases and Support	\$91,906
Corporate Allocations (SG&A, IT)	\$660,109
Fixed Costs to which 29% operating margin is not added	
Legal Support	\$0
Total Fixed Costs	\$3,215,963
IRREGULAR COSTS	
Trench Characterization & Construction	\$0
Large Component Disposal	\$512,439
Site Maintenance	\$0
Trench Records Software	\$0
Storm Damage Repairs & Cleanup	(\$177)
License Renewal & Appeal Costs	\$0
Site Eng & Drawing Updates	(\$3,894)
Total Irregular Costs	\$508,368
VARIABLE COSTS	
Variable Labor and Non-Labor Rates	
Vault Purchase and Inspection (per vault)	\$184.76
ABC Waste Disposal (per shipment)	\$1,566.33
Slit Trench Operations (per slit trench offload)	\$44,844.35
Customer Assistance (per shipment)	\$136.80
Trench Records (per container)	\$337.37
Variable Material Cost Rates (Vaults)	
Class A Waste (per cubic foot)	\$43.82
Class B Waste (per cubic foot)	\$54.94
Class C Waste (per cubic foot)	\$55.84
Slit Trench Waste (per cubic foot)	\$188.57